July 5, 2006

Mr. Steve Hill, Administrator
Health Care Authority
676 Woodland Square Loop SE
MS 42700
Olympia, WA 98504-2700

<u>**Benefits Administration / Insurance Accounting System (BAIAS) Project
Quality Assurance Report**</u>

Dear Mr. Hill:

The enclosed report represents quality assurance findings and recommendations for the BAIAS Project through the month of June. We have attended project team meetings, the ISB meeting, Steering Committee meetings, the Advisory Group meeting, and work group sessions with various staff and stakeholders and reviewed the project documentation.

The project has made some notable progress since our last report by:

➢ Developing a standard project dashboard to report status every week.

➢ Establishing project controls to manage and track project issues and risks.

➢ Conducting a vendor forum and collecting invaluable information on current market place offerings for benefits administration programs.

➢ Changing the planned approach to system interfaces and significantly reducing changes needed to current interfaces for HCA's business partners.

➢ Developing proposed project roles and responsibilities.

➢ Hiring the first employee who is assigned full-time to work on the BAIAS project.

We are not offering any additional recommendations in this report. A summary of recommendation status is included as Appendix A attached to this report. Please don't hesitate to call Julie Boyer or myself at 360.956.9064 if you have any questions or concerns.

Sincerely,

Kathleen Nolte
Director

Enclosure
cc: Gary Robinson, Department of Information Services
       Beth Dupre, Deputy Administrator
       Mary Fliss, Assistant Administrator
       Maurice Willey, Project Manager
       Kim Cregeur, Department of Information Services

Washington State Health Care Authority

Benefits Administration / Insurance Accounting System Project

QUALITY ASSURANCE

Periodic Report
May 1 through June 30, 2006

**STERLING
ASSOCIATES,LLP**

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Quality Assurance Findings—*What is...*

♦ Environment

- The Health Care Authority (HCA) reported on the Benefits Administration / Insurance Accounting System (BAIAS) project to the Information Services Board (ISB) at its last meeting in early May. Because the acquisition phase required an extension while a vendor forum was conducted, the HCA anticipated that ISB members may be concerned about the expected release date of the RFP. The project leaders were well prepared for the conversation with the ISB members and understood the status of the project in enough detail that they were able to respond immediately to all of the questions asked.

- As of the end of June, work on the RFP is continuing. The vendor forum confirmed that more than one vendor has an existing Commercial Off-The-Shelf (COTS) product that supports benefits administration programs. Confirmation of this basic project assumption has reduced one of the risks facing the project regarding HCA's lack of knowledge of the current market place. Equally valuable to the project was having some of the vendors respond to the RFI released as part of the vendor forum and provide detailed information on specific functionality of their systems. Information about market place offerings and current COTS functionality obtained from the vendors has been incorporated into acquisition planning, RFP documents, and the overall project approach.

- Recent discussions regarding the extent to which BAIAS will fit within the state's overall enterprise structure have resurfaced. HCA has been progressing under the assumption that it can proceed with current strategies and approaches to the project without incorporating guidelines recently developed for enterprise level administrative or financial initiatives. The *Roadmap* project directors seem to expect to have the guidelines incorporated into the BAIAS project planning, although to what to degree is not yet clear. Based on similar enterprise projects, gaining and maintaining agreement on project strategies and approaches with external organizations may prove challenging.

  - The BAIAS project co-sponsors are clarifying how to comply with emerging guidelines from the Roadmap project, which governs administrative and financial initiatives for the state. The guidelines delineate enterprise interests in the approach to system design and functionality. It is not clear what the impact on the project would be to incorporating or not incorporating the new enterprise guidelines into the BAIAS strategies and approaches. It is possible that incorporating the guidelines will cause delays in the RFP process.

Quality Assurance Findings—*What is...*

◆ Approach

  ▪ As part of the acquisition phase, development of the RFP continues under the direction of General Administration.

    – With the assistance of outside expertise, project staff have finalized business system requirements. Based on information provided about current market products, project staff have been able to identify the business system functionality that could be provided within COTS products without customization of the application. Conversely, project staff have also identified those functions that would not be addressed using a pure COTS product. Some level of customization of a COTS product will likely be required as part of the solution offered to the HCA.

      ▪ The project team has been managing a risk that a COTS solution may not be able to meet the business needs of both Public Employees Benefits Board (PEBB) and Basic Health (BH). Information obtained from the vendor forum indicates that current COTS products offer most of the functionality needed for PEBB. It is less clear how much of the functionality needed to support the business needs for BH could be met in a COTS product, let alone the same product that would support PEBB. Although the priority for the RFP is inclusion of the PEBB requirements, the agency plans to include the business requirements for BH in the RFP. Vendors will address these business needs as part of their response, giving the agency specific options to consider that could support both PEBB and BH.

    – Without having the RFP completed, it is unclear what specific approach the HCA is going to take to evaluate proposals from vendors, validate functionality of proposed COTS solutions, and verify business references with organizations utilizing the proposed solution.

    – The Steering Committee members have been actively involved in determining what should be included in the sample contracts for services and software. The sample contracts will be included in the RFP and reflect many lessons learned within the HCA as well as on other large projects.

Quality Assurance Findings—*What is...*

◆ Approach (Continued)

– Technical system requirements are being produced by the Information Services staff in close coordination with staff from the Department of Information Services (DIS) and will be incorporated into the RFP. Detailed information is being prepared regarding the requirements of each of the current interfaces. While this level of detail is not normally included in the RFP, work on interfaces poses a significant risk to projects of this size and complexity. In an effort to mitigate this risk, the interface requirements will be included in the RFP provided to vendors.

– The HCA wants to keep system changes for their partners who exchange data with the current benefits administration system to a minimum. To avoid making significant changes to more than two dozen current interfaces, HCA wants to replicate existing file formats in a new interface system on the front end of the new BAIAS system. The new interface system would collect inbound data from the interface partners, translate the data if necessary, and transmit the data to the new BAIAS system. Similarly, outbound data from the new BAIAS system would be transmitted to the new interface system, which would then provide it to the interface partners using the current protocols and methods.

▪ This approach reduces the requirements on interface partners to modify their systems at the same time as the new BAIAS system is being implemented. Changes to interfaces could be made incrementally with individual interface partners after BAIAS is implemented.

Quality Assurance Findings—*What is...* (continued)

♦ Expectations

- ▪ The project has committed to releasing the RFP by the end of July. While the ISB and project sponsors expect this to occur, there is significant work to be done to the RFP in the next couple weeks before it can released. It is not clear the team will have enough time to complete the work and maintain the schedule for the acquisition phase.

  - The Steering Committee expects to be advised immediately of any condition that threatens to delay the release of the RFP.

  - An apparently successful vendor (ASV) is expected to be identified by early November allowing contract negotiations to be completed by the end of the year.

  - The HCA expects the ISB to provide approval to proceed to the next phase or gate without delaying the project schedule once the ASV is identified.

  - The HCA is preparing to have the full project team comprised of vendor, agency, and contracted resources up and running in early January. Facilities and equipment for the entire project team are expected to be available within current HCA space in Lacey.

Quality Assurance Findings—*What is...* (continued)

◆ Schedule

- A high-level schedule for the acquisition phase of the project has been provided to the Steering Committee. The high-level schedule does not detail work in subsequent phases of the project. The Steering Committee provided feedback to the project manager on the schedule which resulted in changes to the acquisition phase. The lack of an overall project plan raises the risk that estimated resources and timelines are not accurate or properly managed.

  – The project coordinator, who starts work at the beginning of September, will have responsibility to develop and maintain the detailed project plan. The plan will not be completed until after the vendor is selected and able to supplement the initial plan with their expected contributions. This will establish an integrated schedule that can be used to measure the project's progress against.

  ➢ *See Previous Recommendation #1 in Appendix A*

- Development of the RFP is not progressing as quickly as the Steering Committee had hoped. Fortunately, four weeks of contingency related to the release of the RFP was built into the schedule. According to the latest status report, all of the contingency time will be expended before the RFP is released in late July.

Quality Assurance Findings—*What is...* (continued)

◆ Leadership

- A transition from one person to another occurred in early May when a new HCA Deputy Administrator was appointed. This has been a smooth transition since the issues and risks facing the BAIAS project are well known to the new Deputy Administrator.

- Leaders in the project are considering the roles and responsibilities of the project participants and work groups. The initial roles and responsibilities document is being reviewed. Once the Steering Committee members address and resolve any differences of opinion, the roles and responsibilities document can be finalized.

  ➢ *See Previous Recommendation #2 in Appendix A*

- The DIS liaison working on the project will change during the next month. As in other level 3 projects, the DIS liaison plays a key leadership role that is critical to the success of the project.

Quality Assurance Findings—*What is...* (continued)

- ◆ Resources
  - ▪ The first support position has been filled in the project and the new employee began work in the last month. Another employee has been hired to fill the project coordinator position but will not report to work until the beginning of September. Both of these positions are key to organizing, managing, and controlling work within the project.
- ◆ Controls
  - ▪ New processes have been established to manage, track and report on project issues and project risks. These project controls are being shared with the Steering Committee within the weekly project status reports. The Steering Committee as a group and the individual members are often assigned responsibility for resolving identified issues or mitigating identified risks.
  - ▪ Progress on key milestones and deliverables is also being included in the weekly project status reports. The Steering Committee is provided information on planned and actual completion dates as well as any changes to the planned completion dates. This allows the Steering Committee members to monitor the progress of specific activities within the project and obtain more details behind the summary level status provided on the dashboard.
  - ▪ The Steering Committee is not receiving regular reports on the resources being expended on the BAIAS project. While this is not a serious risk now given the lag in expenditures, the lack of information about the burn rate for resources will create increasing risk to the project as time passes and demand for resources expands from numerous entities.

Quality Assurance Findings—*What is...* (continued)

- ◆ Communication
  - ■ Project leaders discussed revising the project communication plan. Progress on this recommendation is minimal because resources to work on the plan or the tasks identified within the plan have not been identified.
    - ➢ *See Previous Recommendation #3 in Appendix A*
- ◆ Credibility and Integrity
  - ■ As a result of the ISB meeting, HCA appears to have increased its credibility externally by being well prepared and knowledgeable about the condition of the project. Project leaders shared the current status of the project and explained their decision to extend the acquisition phase. While the ISB members were interested in why HCA was delaying release of the RFP, they did not criticize the decision to obtain information about current market conditions prior to release of the RFP.
  - ■ As noted previously, the credibility and integrity of individual project participants is continuously tested as work progresses and individuals working on the project change. Any concerns that arise about the credibility or integrity of an individual working on the project should be addressed in the most appropriate and expeditious manner to increase the likelihood of success for the project.
- ◆ Commitment
  - ■ A high level of commitment is apparent from participants of the Steering Committee and project staff who are involved in project activities.

Recommendation	QA Report Feb 2006	QA Report April 2006	QA Report June 2006	Status/Comments
1. Develop a project plan reflecting the assumptions built into the project and the resources available, including major tasks, milestones, decision points, dependencies, schedule and the critical path. Ensure collaboration among all participants to identify dependencies and a reasonable schedule for completion.	☆	➤	➤	In progress. Draft plan for Acquisition Phase presented to the Steering Committee. Integrated plan is not expected until vendor is engaged.
2. Clarify roles and responsibilities for project participants and decision-makers that reflects the organization of the project.	☆	➤	➤	In progress. Draft document being considered.
3. Revise the communication plan and include identification of specific stakeholder needs, required information, responsibilities for completion, and timing of communications.	☆	➤	➤	In progress. Several revisions identified that can be incorporated when resources become available.

☆ Recommendation Made ✓ Recommendation implemented ➤ In progress ✗ Recommendation not yet implemented